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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation to Consider
Policies to Achieve the Commission's
Conservation Objectives for Class A Water
Utilities.

Investigation 07-01-022
(Filed January 11, 2007)

And Related Matters.

Application 06-09-006
(Filed September 6, 2006)
Application 06-10-026
(Filed October 23, 2006)
Application 06-11-009
(Filed November 20, 2006)
Application 06-11-010
(Filed November 22, 2006)
Application 07-03-019
(Filed March 19, 2007)

ADMINISTRATIVE LAW JUDGE'S RULING RE PHASE 1B SETTLEMENTS

This ruling addresses the process for reviewing the settlement agreements on conservation rate designs and water revenue adjustment mechanisms (WRAM) between Golden State Water Company (GSWC) and the Division of Ratepayer Advocates (DRA), and San Jose Water Company (San Jose) and DRA.

Background

The Commission opened this investigation to address policies to achieve its conservation objectives for Class A water utilities. GSWC's and San Jose's conservation rate design applications were consolidated with this investigation.

The first phase of this proceeding is addressing rate-related conservation measures, including the parties' increasing block rate and WRAM proposals. The Phase 1 scoping memo issued on March 8, 2007.

On October 19, 2007, GSWC and DRA filed their settlement agreement proposing a pilot program, which includes increasing block rates, a full decoupling WRAM, and a modified cost balancing account. On November 14, 2007, San Jose and DRA filed their settlement agreement proposing a trial program, which includes increasing block rates and a pricing adjustment mechanism (a Monterey-style WRAM).

The Consumer Federation of California (CFC) and the Joint Consumers (Disability Rights Advocates, Latino Issues Forum, National Consumer Law Center and The Utility Reform Network) filed comments on the settlement agreements. CFC opposes implementation of both settlements and proposes an alternate rate design for San Jose. The Joint Consumers do not oppose the settlements but request that the Commission adopt aggressive customer outreach and education efforts and data collection measures for both GSWC and San Jose to ensure customers are informed and the impact of the conservation rate design is monitored, particularly for low-income customers. The Joint Consumers currently are negotiating settlements with both GSWC and San Jose.

GSWC Settlement

The GSWC settlement includes provisions comparable to settlements reviewed in Phase 1A of this proceeding. The Joint Consumers' recommendations also are comparable to those made for the Phase 1A settlements. CFC's objections are similar to the objections raised to the Phase 1A settlements, and CFC recommends that the Commission adopt its Phase 1A proposals. The concerns about the GSWC settlement are policy concerns; there

are no contested materials facts. Therefore, hearings are not necessary. The motion proposing adoption of the settlement, the settlement, the comments on the settlement and any future settlements on customer outreach and education and data collection provide sufficient information upon which to base a decision.

San Jose Settlement

The San Jose settlement includes provisions comparable to those of settlements reviewed in Phase 1A. The Joint Consumers' proposals also are comparable to those made in Phase 1A. CFC, however, proposes an alternate rate design to that contained in the settlement. To determine whether hearings are necessary on the settlement and alternate rate design, CFC, DRA, and San Jose shall meet and confer to discuss areas of agreement and disagreement. The parties shall stipulate to agreed-upon facts and determine if there are any contested facts. The parties shall file a stipulation of facts and a statement of contested facts on or before January 25, 2008.

IT IS RULED that:

1. The Commission shall review the DRA and GSWC settlement on WRAM and conservation rate design issues by considering the filed settlement and pleadings, as set forth herein.
2. CFC, DRA, and San Jose shall meet and confer and shall file a stipulation of facts and a statement of contested facts on or before January 25, 2008.

Dated December 26, 2007, at San Francisco, California.

/s/ JANICE GRAU
Janice Grau
Administrative Law Judge